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General Assembly

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Fifty-ninth session
Agenda item 17 (e)

Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members and alternate members of the United Nations Staff Pension Committee

Report of the Fifth Committee

Rapporteur: Mrs. Denisa **Hutanová** (Slovakia)

1. At its 2nd plenary meeting, on 17 September 2004, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-ninth session, the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members and alternate members of the United Nations Staff Pension Committee".

2. At its 21st meeting, on 5 November, the Fifth Committee had before it the following documents:

(a) Note by the Secretary-General concerning the vacancies in the membership of the United Nations Staff Pension Committee that will occur as a result of the expiration of the term of office of eight of its members on 31 December 2004 (A/59/105);

(b) Note by the Secretary-General containing the names of eight persons nominated by their respective Governments for appointment or reappointment to the United Nations Staff Pension Committee for a four-year term of office beginning on 1 January 2005 (A/C.5/59/9).

3. At the same meeting, the Committee decided, by acclamation, to recommend to the General Assembly that it appoint Kenshiro Akimoto (Japan), Aizaz Ahmad Chaudhry (Pakistan), Valeria María González Posse (Argentina), Andrei Vitalievitch Kovalenko (Russian Federation), Gerhard Küntzle (Germany), Lovemore Mazemo (Zimbabwe), Philip Richard Okanda Owade (Kenya) and Thomas A. Repasch, Jr. (United States of America) as members or alternate members of the United Nations Staff Pension Committee for a four-year term of office beginning on 1 January 2005 (see para. 4).

04-62831 (E) 031204

Recommendation of the Fifth Committee

4. The Fifth Committee recommends to the General Assembly that it appoint the following persons as members or alternate members of the United Nations Staff Pension Committee for a four-year term of office beginning on 1 January 2005:

Mr. Kenshiro Akimoto (Japan)

Mr. Aizaz Ahmad Chaudhry (Pakistan)

Ms. Valeria María González Posse (Argentina)

Mr. Andrei Vitalievitch Kovalenko (Russian Federation)

Mr. Gerhard Küntzle (Germany)

Mr. Lovemore Mazemo (Zimbabwe)

Mr. Philip Richard Okanda Owade (Kenya)

Mr. Thomas A. Repasch, Jr. (United States of America)

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Fifty-ninth session
Agenda item 17 (f)

Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the International Civil Service Commission

Report of the Fifth Committee

Rapporteur: Mrs. Denisa **Hutanová** (Slovakia)

1. At its 2nd plenary meeting, on 17 September 2004, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-ninth session, under the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the International Civil Service Commission".

2. At its 21st meeting, on 5 November, the Fifth Committee had before it the following documents:

(a) Note by the Secretary-General concerning the vacancies in the membership of the International Civil Service Commission that would occur as a result of the expiration of the terms of office of five of its members on 31 December 2004 (A/59/106);

(b) Note by the Secretary-General containing the names of persons nominated by their respective Governments for appointment or reappointment to the Commission, to fill the following vacancies: two seats from the African States, two seats from the Asian States and one seat from the Eastern European States (A/C.5/59/10).

3. At the same meeting, the Committee decided, by acclamation, to recommend the appointment of Shamsher M. Chowdhury (Bangladesh), Xiaochu Wang (China) and Vladimir Titov (Russian Federation) as members of the Commission for a four-year term of office beginning on 1 January 2005 (see para. 6).

4. The Fifth Committee then proceeded to elect, by secret ballot, two persons from the three candidates nominated by the Group of African States. The result of the voting was as follows:

04-62849 (E) 021204

Number of ballots cast:	185
Invalid ballots:	0
Number of valid ballots:	185
Abstentions:	0
Number of members voting:	185
Required majority:	93
Number of votes obtained:	
Fatih Bouayad-Agha (Algeria)	161
El Hassane Zahid (Morocco)	108
Ernest Rusita (Uganda)	87

5. Having obtained the required majority, Fatih Bouayad-Agha (Algeria) and El Hassane Zahid (Morocco) were recommended for appointment as members of the Commission for a four-year term of office beginning on 1 January 2005 (see para. 6).

Recommendation of the Fifth Committee

6. The Fifth Committee recommends that the General Assembly appoint the following persons as members of the International Civil Service Commission for a four-year term of office beginning on 1 January 2005:

Mr. Fatih Bouayad-Agha (Algeria)
Mr. Shamsher M. Chowdhury (Bangladesh)
Mr. Vladimir Titov (Russian Federation)
Mr. Xiaochu Wang (China)
Mr. El Hassane Zahid (Morocco)

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Fifty-ninth session
Agenda item 106

Financial reports and audited financial statements, and reports of the Board of Auditors

Report of the Fifth Committee

Rapporteur: Mrs. Denisa **Hutanová** (Slovakia)

I. Introduction

1. At its 2nd plenary meeting, on 17 September 2004, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its fifty-ninth session, and to allocate to the Fifth Committee, the item entitled:

"Financial reports and audited financial statements, and reports of the Board of Auditors:

"(a) United Nations;

"(b) United Nations Development Programme;

"(c) United Nations Children's Fund;

"(d) United Nations Relief and Works Agency for Palestine Refugees in the Near East;

"(e) United Nations Institute for Training and Research;

"(f) Voluntary funds administered by the United Nations High Commissioner for Refugees;

"(g) Fund of the United Nations Environment Programme;

"(h) United Nations Population Fund;

"(i) United Nations Human Settlements Programme;

"(j) Fund of the United Nations International Drug Control Programme;

"(k) United Nations Office for Project Services;

04-62874 (E) 061204

"(l) International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991;

"(m) International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994;

"(n) Capital master plan".

2. The Fifth Committee considered the item at its 10th, 11th and 28th meetings, on 18 and 19 October and 29 November. Statements and observations made in the course of the Committee's consideration of the item are reflected in the relevant summary records (A/C.5/59/SR.10, 11 and 28).

3. For its consideration of the item, the Fifth Committee had before it the following documents:

(a) Financial reports and audited financial statements for the biennium ended 31 December 2003, and report of the Board of Auditors on the United Nations,[1] the International Trade Centre UNCTAD/WTO,[2] the United Nations University,[3] the United Nations Development Programme,[4] the United Nations Children's Fund,[5] the United Nations Relief and Works Agency for Palestine Refugees in the Near East,[6] the United Nations Institute for Training and Research,[7] the voluntary funds administered by the United Nations High Commissioner for Refugees,[8] the Fund of the United Nations Environment Programme,[9] the United Nations Population Fund,[10] the United Nations Human Settlements Programme,[11] the Fund of the United Nations International Drug Control Programme,[12] the United Nations Office for Project Services,[13] the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994[14] and the International Tribunal for the Prosecution of Persons Responsible for Serious

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[1] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I.

[2] Ibid., vol. III.

[3] Ibid., vol. IV.

[4] Ibid., *Supplement No. 5A* (A/59/5/Add.1).

[5] Ibid., *Supplement No. 5B* (A/59/5/Add.2).

[6] Ibid., *Supplement No. 5C* (A/59/5/Add.3).

[7] Ibid., *Supplement No. 5D* (A/59/5/Add.4).

[8] Ibid., *Supplement No. 5E* (A/59/5/Add.5).

[9] Ibid., *Supplement No. 5F* (A/59/5/Add.6).

[10] Ibid., *Supplement No. 5G* (A/59/5/Add.7).

[11] Ibid., *Supplement No. 5H* (A/59/5/Add.8).

[12] Ibid., *Supplement No. 5I* (A/59/5/Add.9).

[13] Ibid., *Supplement No. 5J* (A/59/5/Add.10).

[14] Ibid., *Supplement No. 5K* (A/59/5/Add.11).

Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991;[15]

(b) Note by the Secretary-General transmitting the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its fifty-ninth session (A/59/162);

(c) Report of the Secretary-General containing the first report on the implementation of the recommendations of the Board of Auditors on the accounts of the United Nations for the financial period ended 31 December 2003 (A/59/318);

(d) Report of the Secretary-General containing the first report on the implementation of the recommendations of the Board of Auditors on the financial statements of the United Nations funds and programmes for the financial period ended 31 December 2003 (A/59/318/Add.1);

(e) Note by the Secretary-General transmitting the report of the Board of Auditors on the capital master plan for the biennium ended 31 December 2003 (A/59/161);

(f) Report of the Advisory Committee on Administrative and Budgetary Questions on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2003 (A/59/400).

4. At the 10th meeting, on 18 October, the Auditor-General of the Republic of South Africa and Chairman of the Board of Auditors introduced the reports of the Board (see A/C.5/59/SR.10).

II. Consideration of draft resolution A/C.5/59/L.11

5. At its 28th meeting, on 29 November, the Committee had before it a draft resolution entitled "Financial reports and audited financial statements, and reports of the Board of Auditors" (A/C.5/59/L.11), which had been coordinated by the representative of Egypt, on behalf of the Chairman, following informal consultations.

6. At the same meeting, the Committee adopted draft resolution A/C.5/59/L.11 without a vote (see para. 7).

[15] Ibid., *Supplement No. 5L* (A/59/5/Add.12).

III. Recommendation of the Fifth Committee

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financial reports and audited financial statements, and reports of the Board of Auditors

The General Assembly,

Reaffirming its resolutions 50/222 of 11 April 1996, 51/218 E of 17 June 1997, 52/212 B of 31 March 1998, 53/204 of 18 December 1998, 53/221, section VIII, of 7 April 1999, 54/13 B of 23 December 1999, 55/220 A of 23 December 2000, 55/220 B and C of 12 April 2001 and 57/278 A of 20 December 2002,

Having considered, for the period ended 31 December 2003, the financial reports and audited financial statements and the reports and audit opinions of the Board of Auditors on the United Nations,[1] the International Trade Centre UNCTAD/WTO,[2] the United Nations University,[3] the United Nations Development Programme,[4] the United Nations Children's Fund,[5] the United Nations Relief and Works Agency for Palestine Refugees in the Near East,[6] the United Nations Institute for Training and Research,[7] the voluntary funds administered by the United Nations High Commissioner for Refugees,[8] the Fund of the United Nations Environment Programme,[9] the United Nations Population Fund,[10] the United Nations Habitat and Human Settlements Programme,[11] the Fund of the United Nations International Drug Control Programme,[12] the United Nations Office for Project Services,[13] the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994,[14] and the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991,[15] the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors,[16] the

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[1] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I.
[2] Ibid., vol. III.
[3] Ibid., vol. IV.
[4] Ibid., *Supplement No. 5A* (A/59/5/Add.1).
[5] Ibid., *Supplement No. 5B* (A/59/5/Add.2).
[6] Ibid., *Supplement No. 5C* (A/59/5/Add.3).
[7] Ibid., *Supplement No. 5D* (A/59/5/Add.4).
[8] Ibid., *Supplement No. 5E* (A/59/5/Add.5).
[9] Ibid., *Supplement No. 5F* (A/59/5/Add.6).
[10] Ibid., *Supplement No. 5G* (A/59/5/Add.7).
[11] Ibid., *Supplement No. 5H* (A/59/5/Add.8).
[12] Ibid., *Supplement No. 5I* (A/59/5/Add.9).
[13] Ibid., *Supplement No. 5J* (A/59/5/Add.10).
[14] Ibid., *Supplement No. 5K* (A/59/5/Add.11).
[15] Ibid., *Supplement No. 5L* (A/59/5/Add.12).
[16] See A/59/162.

reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors by the United Nations and its funds and programmes[17] and the report of the Advisory Committee on Administrative and Budgetary Questions,[18]

1. *Accepts* the financial reports and audited financial statements and the reports and audit opinions of the Board of Auditors for the above-mentioned organizations, with the exception of the financial statements of the United Nations Office for Project Services;[13]

2. *Notes with concern* that the Board of Auditors was unable to express an opinion on the financial statements of the United Nations Office for Project Services and acknowledges the comprehensive steps taken by the Office to address the issues raised by the Board;

3. *Notes* the view of the Board of Auditors that it would be premature to conduct an audit in 2005 of the financial statements of the United Nations Office for Project Services for 2004 owing to the time needed to address the critical issues raised in the Board's report, and decides to revert to the issue, at its sixtieth session, in the context of the report of the Board of Auditors on the implementation of its recommendations relating to the biennium 2002-2003;

4. *Approves* the recommendations and conclusions contained in the reports of the Board of Auditors and endorses the observations and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions,[18] with the proviso that, should the need arise, the recommendations and conclusions of the Board of Auditors and the comments thereon by the Advisory Committee, including those on the International Criminal Tribunal for Rwanda,[14] the International Tribunal for the Former Yugoslavia,[15] the capital master plan[19] and the United Nations Joint Staff Pension Fund,[20] would be considered under the respective agenda items;

5. *Commends* the Board of Auditors for the superior quality of its reports, in particular with respect to its comments on the management of resources and improving the presentation of financial statements;

6. *Notes with concern* the late issuance of the reports of the Board of Auditors despite the timely submission of these reports to the Secretariat, and requests the Secretary-General to ensure sufficient priority in completing their editing and translation in order that they may be submitted to the General Assembly in accordance with the six-week rule;

7. *Takes note* of the reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors by the United Nations and its funds and programmes,[17] and invites the Board of Auditors, in consultation with the Secretary-General and the executive heads of the funds and programmes, to categorize the recommendations according to their priority for implementation;

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[17] A/59/318 and Add.1.

[18] A/59/400.

[19] A/59/161.

[20] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 9* (A/59/9), annex XII.

8. *Requests* the Secretary-General and the executive heads of the funds and programmes to indicate an expected time frame for the implementation of the recommendations of the Board of Auditors, including the office holders to be held accountable;

9. *Reiterates* its request to the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance principles and to report thereon to the General Assembly, through the respective governing bodies of the funds and programmes of the United Nations, at its sixty-first session;

10. *Requests* the Secretary-General and the executive heads of the funds and programmes of the United Nations also to consider strengthening the internal control framework, harmonizing the administrative mechanisms that would systematically act upon the findings and recommendations of oversight bodies and improving financial reporting, as well as the proper forums for the consideration of the reports of the Board of Auditors by the respective executive boards and the General Assembly, and to report thereon to the General Assembly at its sixty-first session;

11. *Notes* that the Secretariat has been collecting information on the experiences of audit committees within the United Nations system and other international organizations, and requests the Secretary-General to report on and provide an assessment of its findings to the General Assembly at its sixtieth session.

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Security Council

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General Assembly
Fifty-ninth session
Agenda item 29
Question of Cyprus

Security Council
Fifty-ninth year

Letter dated 30 November 2004 from the Chargé d'affaires a.i. of the Permanent Mission of Turkey to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith a letter dated 29 November 2004 addressed to you by Reşat Çağlar, Representative of the Turkish Republic of Northern Cyprus (see annex).

I should be grateful if the text of the present letter and its annex could be circulated as a document of the General Assembly under agenda item 29, and of the Security Council.

(*Signed*) Altay **Cengizer**
Deputy Permanent Representative
Chargé d'affaires a.i.

04-63235 (E) 031204

Annex to the letter dated 30 November 2004 from the Chargé d'affaires a.i. of the Permanent Mission of Turkey to the United Nations addressed to the Secretary-General

Upon instructions from my Government, and further to our letter dated 3 September 2004 (A/58/885-S/2004/720, annex), I have the honour to refer to the letter dated 10 November 2004, addressed to you by the Greek Cypriot representative in New York and circulated as a document of the General Assembly and of the Security Council (A/59/564-S/2004/893), which yet again contains allegations of violations of the "airspace of the Republic" and "of the flight information region (FIR) of Nicosia", and to bring to your kind attention the following.

In response to such false and pretentious allegations, I wish, once again, to reiterate that flights within the sovereign airspace of the Turkish Republic of Northern Cyprus take place with the full knowledge and consent of the appropriate authorities of the State, over which the Greek Cypriot Administration in South Cyprus has no jurisdiction or right of say whatsoever. Furthermore, it should be emphasized that allegations of so-called violations of the flight information region or violations of air traffic regulations are invalid, as the civil aviation authority of the Turkish Republic of Northern Cyprus is the only competent authority to provide air traffic and aeronautical information services.

As stated in our previous letters, such allegations are based on the false and illegitimate claim that the sovereignty of the Greek Cypriot Administration extends over the whole island, including the territory of the Turkish Republic of Northern Cyprus. This claim by the Greek Cypriot side is divorced from the existing realities in Cyprus, namely, the existence of two independent States, each exercising sovereignty and jurisdiction within and above its respective territory on the island.

Attempts by the Greek Cypriot representatives, through often-repeated false claims, to confer legitimacy upon an illegal administration will be futile as long as the Turkish Cypriot people refuse to bow to its writs. What would indeed be conducive to a better climate on the island would be for the Greek Cypriot side to stop arrogating to itself the rights and responsibilities it does not legally have and to cease all hostilities towards the Turkish Cypriot people.

It has been more than six months since you, in the report on your mission of good offices in Cyprus of 28 May 2004 (S/2004/437), called on the international community to "eliminate unnecessary restrictions and barriers that have the effect of isolating the Turkish Cypriots and impeding their development". The Greek Cypriot Administration, which was required to heed this call and took steps accordingly, has instead been pursuing an all-out campaign in every forum against any effort aimed at giving Turkish Cypriots breathing space. Its current blockage of the adoption by the European Council of the Commission's financial aid and direct trade regulations stands witness to this reality. The continuation of such hostile policies of the Greek Cypriot Administration clearly indicates that the Greek Cypriot Administration has not moved even an inch from its maximalist policies vis-à-vis a settlement in Cyprus, which had led to the rejection of your settlement plan by the Greek Cypriot side on 24 April 2004.

I should be grateful if the text of the present letter could be circulated as a document of the General Assembly, under agenda item 29, and of the Security Council.

(*Signed*) Reşat **Çağlar**
Representative
Turkish Republic of Northern Cyprus

United Nations A/59/590

General Assembly

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Fifty-ninth session
Agenda item 21
The role of diamonds in fuelling conflict

Letter dated 24 November 2004 from the Permanent Representative of Canada to the United Nations addressed to the President of the General Assembly

Pursuant to its resolution 58/290 of 14 April 2004, I have the honour to transmit to the General Assembly a report on the progress made towards the implementation of the Kimberley Process Certification Scheme for rough diamonds.

Under resolution 58/290, the General Assembly decided to include in the provisional agenda of its fifty-ninth session the item entitled "The role of diamonds in fuelling conflict". In its capacity as the current Chair of the Kimberley Process, Canada is in the process of holding informal consultations on a draft consensus resolution to be adopted following a debate on the issue in the General Assembly. In this regard, I am kindly requesting that the attached report be circulated to the Member States as a document of the General Assembly prior to the debate.

Substantial progress has been made towards implementation of the Kimberley Process Certification Scheme since its launch on 1 January 2003. The Certification Scheme now encompasses all significant diamond-producing countries, accounting for more than 99.8 per cent of global production (valued at 8.5 billion United States dollars ($)). The Certification Scheme is helping channel more diamonds into official government mechanisms in countries affected by conflict diamonds such as Angola, the Democratic Republic of the Congo and Sierra Leone.

Peace agreements in those countries have substantially reduced the risk of conflict diamonds entering the legitimate market. However, given the fragility of a number of the peace agreements, the Certification Scheme remains crucial in contributing to the consolidation of peace and in averting a potential resumption of hostilities. In this context, Canada, on behalf of the Kimberley Process, seeks the continued support of the General Assembly for the Certification Scheme.

(*Signed*) Allan **Rock**
Permanent Representative of Canada to the United Nations

04-62672 (E) 081204

Annex to the letter dated 24 November 2004 from the Permanent Representative of Canada to the United Nations addressed to the President of the General Assembly

Report of the Kimberley Process Certification Scheme to the United Nations General Assembly as per resolution 58/290 of 14 April 2004

The role of diamonds in fuelling conflict: breaking the link between the illicit transaction of rough diamonds and armed conflict as a contribution to prevention and settlement of conflicts

Introduction

The present report is submitted pursuant to General Assembly resolution 58/290 of 14 April 2004, by which the Assembly requested the Canadian Chair of the Kimberley Process for 2004 to submit a report on the implementation of the Kimberley Process Certification Scheme at its fifty-ninth session. Under resolution 58/290, the General Assembly also took the decision to include in the provisional agenda of its fifty-ninth session the item entitled "The role of diamonds in fuelling conflict". The present report covers developments since the last report of the former South African Chair of the Kimberley Process, dated 10 December 2003. The present report was adopted at the Kimberley Process plenary meeting in Gatineau, Canada on 27-29 October 2004. (The report of the Final Communiqué is included in appendix 1. Appendix 2 indicates the composition of the Secretariat and the subsidiary bodies of the Kimberley Process in 2004.)

Implementing the Certification Scheme

The plenary meeting in Sun City, South Africa, brought to a close the negotiation phase of the Kimberley Process Certification Scheme (KPCS). With an important agreement on the creation of a peer review mechanism, the essential architecture of the KPCS was completed. Over the past 12 months, the overarching objective has been the comprehensive implementation of the scheme. Putting the principles embodied in the Kimberley Process (KP) into practice is not without its challenges. The Chair can, however, report that the Kimberley Process is being implemented effectively.

Participation

As of 29 October 2004, participation in the Kimberley Process Certification Scheme includes 42 countries and the European Community (as a single participant), with the Czech Republic (now a member of the European Community), Ghana, Norway and Singapore joining the scheme in 2004 (see appendix 3 for the current list of participants). Following the enlargement of the European Union, the Czech Republic, Hungary, Poland and Slovenia engage in the KP as part of the European Community. Discussions about possible participation are ongoing with Bangladesh, Cameroon, Cape Verde, Gabon, Indonesia, Mali, Mexico, Swaziland and Tunisia.

The Chair has just completed consultations with the Republic of the Congo on the process by which they may return to the list of participants. The Republic of the Congo was removed from the list of participants on 9 July 2004 following confirmation by the Kimberley Process review mission of significant non-compliance with the KPCS. In September, the Participation Committee established criteria for the Republic of the Congo to rejoin the list of participants. The Republic of the Congo has committed to meet these criteria and has indicated that it plans to submit evidence that the criteria have been met as soon as possible.

The Participation Committee has also addressed issues related to Lebanon, Côte d'Ivoire and Liberia. Lebanon was mistakenly included in the list of participants on 31 July 2003 even though they had not passed the necessary legislation. Lebanon was removed from the list of participants in April 2004. The Chair continues to be in communication with the authorities in Lebanon and encourages them to pass the necessary legislation.

Owing to the turmoil in Côte d'Ivoire, both its statistical reports and annual report were long overdue. Recent communication from the Minister of Mines and Energy, however, confirmed that the ministerial order prohibiting the export of rough diamonds remains in effect and that no Kimberley Process Certificates have been issued. The Minister also informed the Chair, in accordance with annex II, paragraph 5 of the KPCS document, that he believes mining operations are being carried out in rebel-controlled territory.

Liberia remains under a Security Council ban on trade in rough diamonds. The Chair has undertaken consultations in order to ensure coordination between the United Nations and the Kimberley Process. The Minister of Mines has indicated that Liberia has passed Kimberley Process-complaint legislation. Liberia is also putting in place a system of internal controls. Given the role that the former Government of Liberia and the illicit trade in diamonds played in the civil wars across the West African region in the 1990s, the Kimberley Process must manage the potential entry of Liberia into the scheme with care. In that context, the Chair has requested that the review visit to Sierra Leone and Guinea in January include an ad hoc assessment mission of preparations for the Kimberley Process implementation in Liberia.

Events over the past year have demonstrated the need for a subsidiary body within the Kimberley Process that has a mandate to provide guidance to the Chair on how to manage confirmed instances where participants are not meeting the minimum requirements of the KPCS. The Participation Committee was created at the Johannesburg plenary in order to ensure that all participants met the minimum requirements of the KPCS. Their terms of reference, however, were limited to assessing applicants. Revisions to the Participation Committee's terms of reference have been circulated to the Kimberley Process plenary and amended accordingly during the plenary meeting in Gatineau, Canada. The revised terms of reference now enable the Participation Committee to advise on matters of non-compliance by participants.

Peer review

During the 2003 Plenary Meeting in Sun City, South Africa, participants agreed to a peer review mechanism designed to ensure effective implementation of the Certification Scheme. The peer review consists of three pillars: the submission of annual reports by participants on their implementation of the Certification

Scheme; the sending of voluntary review visits to participants to inspect the implementation of the Certification Scheme in their territory; and the deployment of review missions to inspect a KP participant where there are credible indications of significant non-compliance. On the basis of the first year of implementation, the peer review mechanism is exceeding expectations.

Annual reports on Kimberley Process implementation for 2003 have now been received from all Kimberley Process participants; 33 of 45 reports were submitted by the 31 March deadline. The Working Group on Monitoring has carefully analysed each of these, has pursued follow-up questions with individual participants and has compiled a matrix setting out the state of Kimberley Process implementation. This analysis has provided an overview of the state of implementation of the KPCS and highlighted a number of horizontal issues that have emerged during the first year of implementation. Reviewing annual reports has also highlighted common questions and concerns relating to interpreting and implementing the KPCS and has provided an important resource for review visits and missions.

Participants' support for implementing voluntary review visits has also been encouraging. The first review visit took place in March 2004, and by October, eight had been completed: United Arab Emirates; Israel; Botswana and Mauritius; South Africa, Lesotho and Zimbabwe; and the Democratic Republic of the Congo. Collectively, the eight participants accounted for nearly half of global production and more than one quarter of global trade. Before the end of 2004, a further five review visits are scheduled: Canada; the European Community and Switzerland; and India and Sri Lanka. By the end of the year, review visits will have covered nearly two thirds of global production, more than 80 per cent of global exports and more than 90 per cent of global imports.

The Administrative Decision on Peer Review indicated that "it would be desirable for the largest number of participants possible to volunteer to receive a review visit" in advance of the three-year review of the KPCS in 2006. A total of 33 participants have now indicated a willingness to receive a review visit, and we are now awaiting invitations only from Bulgaria, China, Côte d'Ivoire, Croatia, Japan, the Republic of Korea, Laos, Namibia, Thailand and Venezuela. Given the progress made to date, there should be little difficulty in achieving the objective of sending review visits to all participants prior to the completion of the three-year review.

Statistics

The collection and analysis of statistics on the production and trade of rough diamonds is crucial to ensuring that conflict diamonds do not enter the legitimate trade. Annex III of the KPCS document requires that all participants provide production data (semi-annually) and trade data (quarterly). The Administrative Decision on Statistics adopted by the plenary in Sun City clarified that statistics should be submitted within three months of the end of each reference period and that participants who failed to meet the deadlines should be referred to the Participation Committee.

A comprehensive statistical database is now available and the Working Group on Statistics has completed an initial analysis of the data submitted by participants. General baselines for the identification of anomalies have been established, and

statistical reports are now routinely prepared to provide background information in advance of review visits and missions.

Substantial improvements have been made in the submission of statistics. One year ago nearly half of the participants in the Kimberley Process had yet to submit statistics. As of October 2004, statistical submissions had been received from all participants. However, the efforts by the Working Group on Statistics to compile an accurate database of rough diamond production and trade within the Kimberley Process continue to be hampered by late submissions and poor data quality. The failure by many participants to submit statistics within three months of each reference period remains a barrier to identifying irregularities or anomalies that could indicate that conflict diamonds are entering the legitimate market.

There have been marked improvements in the quality of data submitted over the past 12 months and it continues to improve. In particular, important progress has been made with respect to common interpretation of Harmonized System (HS) codes. In the past, misclassification according to HS codes for rough diamonds compromised the reliability of Kimberley Process statistics. Acting on the mandate received from the Sun City plenary, the Working Group of Diamond Experts and Technical Issues and the Working Group on Statistics prepared amendments to the Harmonized System explanatory notes. Those amendments were adopted at the 33rd Session of the World Customs Organization Harmonized System Committee in May 2004 and came into effect in August 2004.

Data quality continues to be a significant challenge for the Working Group on Statistics. Some submissions are simply incomprehensible and unusable, while others require extensive work to properly format and enter the data. In a letter dated 4 October 2004, the Chair of the Working Group on Statistics wrote that five participants had yet to submit data in a format that could be entered into the statistical database: Guinea, Laos, Malaysia, Sierra Leone and Viet Nam. A further two participants have provided substantially incomplete data: Sri Lanka and the Russian Federation. The Russian Federation has explained that legislation allowing for the publication of Russian production and trade statistics, currently classified, has been passed but awaits the signature of the President of the Russian Federation.

The impact of the Certification Scheme

Although the Certification Scheme is still in the early stages of implementation, the Kimberley Process is already having a concrete and positive impact on the international trade in rough diamonds and on the fortunes of conflict diamond-affected countries.

Global production and trade

The KPCS is rapidly transforming the landscape of the global trade in rough diamonds, with the participation of virtually all diamond-producing and trading countries. The Kimberley Process now covers more than $8.5 billion in annual production and more than $20 billion in annual trade. The overwhelming majority of the world's production and trade in rough diamonds operates within the requirements of the KPCS, resulting in an unprecedented degree of transparency and government control. The breadth of participation in the scheme makes it difficult for anyone to operate outside the KPCS.

All significant rough diamond-producing countries are now members of the Kimberley Process. In 2003, 18 Kimberley Process participants reported rough diamond production of more than 147 million carats, valued at over $8.558 billion. As estimates of the total production capacity for non-Kimberley Process producers are no more than 250,000 carats, Kimberley Process producers account for more than 99.8 per cent of global production.

With respect to trade, Kimberley Process statistics indicate that 47,598 Kimberley Process Certificates were issued for more than 450 million carats of rough diamonds traded among Kimberley participants in transactions totalling nearly $25 billion. The proportion of the international trade in rough diamonds covered by the Kimberley Process is more difficult to assess, but anecdotal evidence from Africa suggests that unscrupulous diamond dealers are finding it increasingly difficult to sell non-certified stones.

Further evidence of the significance of the KPCS can be found in national level enforcement. At the international level, the Kimberley Process is a political, not a legal, agreement. It is however enforced through legally binding national law, law that carries criminal penalties. Since the launch of the Kimberley Process in January 2003, national authorities have seized dozens of diamond shipments imported in violation of Kimberley Process procedures. In most of these cases, criminal charges have been laid and prosecutions have either been completed or remain ongoing.

Conflict diamond-affected countries

In assessing the success of the Kimberley Process to date, the most important measure is the contribution that the scheme has made in assisting conflict diamond-affected countries in regaining control over their diamond resources. Peace agreements in Sierra Leone, Angola and the Democratic Republic of the Congo, in combination with the implementation of the Kimberley Process, have enabled those countries to substantially increase the proportion of their diamonds being exported through official government channels. The result is a massive decrease in the volume of illicit transfers and a substantial increase in much-needed government revenue. This is an important indicator that post-conflict Governments are progressively achieving control over these precious natural resources.

In the Democratic Republic of the Congo, for example, the value of 2003 exports increased by 62.5 per cent. Exports in 2003 exceeded 27 million carats at a value of $642 million, while 2002 exports were only 23 million carats valued at $395 million. According to the authorities in Kinshasa, "the record figure was due to diamond exports being assessed at correct international open market prices, based on the SIDC (*Société Internationale de Diamants Congolais*) rough diamond price book, as well as the Democratic Republic of the Congo's strict adherence to the terms of the Kimberley Process". As compliance with the KPCS in Central Africa was tightened in the summer of 2004, the Democratic Republic of the Congo's exports increased by an additional $20 million per month for a total of $81 million in July.

Similar trends can be seen in both Sierra Leone and Angola. In 2003, Sierra Leone reported exports of 506,000 carats at the value of $76 million. In 2000, exports were only 77,000 carats valued at $10 million. Sierra Leone estimates that diamond exports will reach 650,000 carats valued at $130 million by the end of

2004. According to Ndolo Myers, head of Sierra Leone's Gold and Diamond Office, the Kimberley Process Certification Scheme has helped to reduce smuggling, thus bringing the trade back under government control. In Angola, diamond exports in 2003 reached more than 6 million carats at a value of $814 million. In 2002, exports were only 5 million carats at a value of $644 million. Angola projects diamond exports of 6.6 million carats valued at more than $900 million in 2004.

Future of the Certification Scheme

In the context of the peace agreements signed in most conflict diamond-affected countries — Sierra Leone, Angola, the Democratic Republic of the Congo and Liberia — some have suggested that the need for the Kimberley Process is waning and that perhaps the scheme can be wound down in the coming years.

There can be no doubt that the peace agreements in the four countries have substantially reduced the risks of conflict diamonds entering the legitimate trade. In several cases, however, those peace agreements remain fragile and require active international support. The risk remains that the trade in illicit resources, including diamonds, could once again fuel further fighting. The Certification Scheme is therefore crucial in contributing to the consolidation of peace and in averting a potential resumption of hostilities. In short, the scheme is an essential tool for conflict prevention, now and for the foreseeable future. In keeping with the mandate given to the Kimberley Process by the General Assembly, consideration of the role of the KPCS in the prevention of armed conflicts should be a central theme of the three-year review of the scheme scheduled to take place in 2006.

It is also worth noting that the implementation of the KPCS has a number of unintended but nevertheless beneficial, consequences for Governments and the diamond industry. The scheme is strengthening the capacity of Governments with limited resources and weak institutions to exercise greater control over the production and trade in rough diamonds. Many diamond-producing and diamond-trading countries are now better equipped to track the movement of rough diamonds within their territories.

The Certification Scheme also ensures that the global trade in rough diamonds is conducted in a more open and transparent manner. As the quality of statistical data is refined, trends and risks in the diamond trade can be assessed more systematically. And while the goal of the Certification Scheme is to combat the trade in conflict diamonds, it complements efforts to address money-laundering and terrorist financing.

The present report paints a promising picture of Kimberley Process implementation during 2004. There are important challenges ahead in following up on peer review, tightening statistics, pursuing ever-wider participation and monitoring compliance with the minimum requirements. The international community cannot become complacent — there is simply too much at stake for all of us. However, it can look back on the work of previous years with confidence that it is ever closer to meeting the dual objectives at the heart of the Kimberley Process: to protect the interests of the legitimate diamond industry and those who depend on it for their livelihoods; and to ensure that the proceeds from the sale in rough diamonds never again fuel armed conflicts.

Appendix I

Final communiqué

Kimberley Process plenary meeting, Gatineau, Canada, 29 October 2004

The participants of the Kimberley Process met in plenary in Gatineau, Quebec, from 27-29 October 2004, to review progress on the implementation of the Kimberley Process Certification Scheme (KPCS). Forty-two Governments and one regional economic integration organization (the European Community) are now implementing the KPCS. The World Diamond Council and representatives from civil society attended the meeting as observers, together with applicant countries. Participants and observers expressed their gratitude to Canada for hosting the meeting and for the warm hospitality they received.

Chair's report to plenary

In its annual report to the plenary, the Chair noted the significant progress made during 2004 in the implementation of the Kimberley Process Certification Scheme. In particular, it noted that the Kimberley Process participants now encompass the overwhelming majority of the production and trade in rough diamonds. In 2003, participants reported that more than $8.5 billion in rough diamonds were produced and that 47,598 certificates were issued for more than $20 billion in the trade. The Chair noted the positive impact that the KPCS had in enabling conflict diamond-affected countries to increase the volume of their official rough diamond exports substantially and reiterated the value of the KPCS as a mechanism for conflict prevention.

Peer review

The plenary welcomed the impressive progress made in 2004 in implementing the peer review system adopted in October 2003 at the Sun City Plenary. The plenary noted that eight participants had already received review visits and that a further seven would do so prior to the end of 2004. The plenary endorsed the report of the Working Group on Monitoring, including a provisional schedule of review visits for 2005 and 2006 and a roster of more than 60 experts nominated by the Kimberley Process participants and observers. The plenary noted that 33 participants had now invited a Kimberley Process review visit and encouraged the remaining 10 participants to do the same. The plenary reiterated its strong support for the continuing implementation of the peer review system on the basis of the decision adopted at Sun City.

Statistics

During the past year, important progress has been made in improving the database of Kimberley Process statistics. The plenary noted the remaining shortcomings in data completeness, quality and timeliness of submission. The plenary underlined the importance of the ongoing analysis of statistics by the Working Group on Statistics. In order to improve the comparability of statistics submitted by participants, as well as to limit the potential for misuse of Kimberley Process Certificates issued, the plenary adopted a decision establishing the

maximum period for the validity of Kimberley Process Certificates at sixty calendar days from date of issuance. The plenary encouraged participants to derive their statistical reports from Kimberley Process Certificates and gave the Working Group on Statistics the task of studying, in consultation with concerned participants, the aspects of national methodologies that constrain statistical reporting on this basis and present options to the 2005 plenary.

Technical issues

The Working Group of Diamond Experts reported to the plenary that it had fulfilled the mandate it received in Sun City to address the misclassification of rough diamonds in the context of the Harmonized System (HS) customs codes. The plenary welcomed the adoption by the World Customs Organization of revised explanatory notes, which came into effect on 1 August 2004. The plenary adopted three new technical guidelines related to confirmation of imports of rough diamonds, and to the definitions of "diamond powder" and "country-of-origin".

The plenary discussed the use of varying methodologies for the valuation of rough diamonds which result in discrepancies in Kimberley Process statistics. The Working Group of Diamond Experts and Technical Issues and the Working Group on Statistics received a strong mandate from the plenary to study the issue and propose practical ways of harmonizing existing practices.

Participation Committee

Revised terms of reference for the Participation Committee were agreed by the plenary. The revisions require the Chair of the Kimberley Process to seek the advice of the Committee on matters of non-compliance by participants, as well as on the assessment of applications to join the Kimberley Process. In order to meet requirements of his enhanced role, the plenary agreed to increase the membership of the Committee through a more equitable geographic and industry balance, and by including the Vice Chair of the Kimberley Process in the revised composition. In future, the Participation Committee will be chaired by the outgoing Chair of the Kimberley Process.

Review of the Kimberley Process Certification Scheme

Participants established a framework for the three-year review of the Certification Scheme called for in section VI, paragraph 20 of the KPCS document. The plenary decided to create an ad hoc working group to develop options for the three-year review process for consideration at the 2005 plenary meeting. The ad hoc Working Group was further mandated to carry out the review and provide a report of the findings and recommendations in advance of the 31 July 2006 deadline as set out in the Sun City plenary Final Communiqué. The current Chair of the Kimberley Process accepted the proposal from the plenary to chair this body. The Working Group will include the Kimberley Process Chair and Vice Chair, as well as the Chairs of the Kimberley Process working groups and committees. The remaining composition of the working group will reflect an equitable geographic and industry balance as well as civil society representation and will be determined through consultations by the Chair.

Internal controls, industry self-regulation and capacity-building

The plenary noted with appreciation the work carried out by industry and civil society on internal controls and the effectiveness of industry self-regulation, and encouraged Governments and industry to work towards further enhancing the effectiveness of those mechanisms.

The Kimberley Process benefited from the attendance and contributions of representatives of the United Nations, the World Bank and the International Monetary Fund during the plenary meeting. The plenary recognized the important contributions that those organizations could make to the realization of the objectives of the Kimberley Process and looked forward to continued collaboration.

The plenary noted that many participants would benefit from targeted international assistance to reinforce their capacity to implement the requirements of the Certification Scheme. Particular attention should be given to strengthening the regulation of artisanal production and to bringing small-scale miners into the formal sector. The plenary encouraged the Chair and the relevant subsidiary bodies of the Kimberley Process to work with participants and other donors (including the international financial institutions) towards effective follow-up of request for such assistance.

The plenary mandated the Working Group on Monitoring to establish an ad hoc subgroup to address the challenges facing alluvial producers and promote the exchange of best practices. Membership of this subgroup should be drawn primarily from alluvial diamond-producing countries. The ad hoc subgroup should report back to the 2005 plenary meeting through the Chair of the Working Group on Monitoring.

Chair and vice-chair

The Plenary welcomed the Russian Federation as incoming Chair for 2005. Russia expressed its intention to advance effective implementation of the Certification Scheme, with a focus on the improvement of statistical reporting data assessment and on the continued implementation of peer review. The Russian Federation declared its commitment to effective cooperation with the Vice Chair and other participants and with representatives of civil society and industry.

The Russian Federation explained to the plenary that the submission of their production and trade statistics had been delayed for internal administrative reasons. In that context, Russia indicated that it would provide the necessary statistical reports before 31 December 2004. Russia assured participants that it would assume its duties as Chair during 2005 having first met its commitment to its statistical reporting obligations as set out in sections IV (e), V (b), and annex III of the KPCS document.

The plenary selected Botswana as Vice Chair for 2005. Botswana will therefore become Chair of the Kimberley Process on 1 January 2006.

Official languages

The decisions taken by the plenary will be considered to have been formally adopted only when they have been translated into the official languages of the plenary (English, French, Portuguese, Spanish and Russian), in accordance with rule 26 of the KPCS Rules of Procedure, and made available to all participants.

Commitment to implementation

Participants reaffirmed their commitment to continue active and rigorous implementation of the KPCS. Participants and observers also extended sincere thanks to the outgoing Canadian Chair for providing effective leadership to the KPCS throughout 2004.

Appendix II

Composition of the Kimberley Process Secretariat and subsidiary bodies in 2004

Secretariat

Mr. Tim Martin (Chairman of the Kimberley Process), Canada
Mr. Don Hubert (Manager), Canada
Mr. Abdul Omar (Policy Adviser), Canada
Mr. Jeremy Pedder (Adviser to the Chair)

Subsidiary bodies

I. Working Group on Monitoring

Chairman: Mr. Kim Eling (European Community)

II. Working Group on Statistics

Chairman: Mr. Rob Dunn (Canada)

III. Working Group of Diamond Experts and Technical Issues

Chairman: Mr. Mark Van Bockstael (World Diamond Council)

IV. Working Group on Rules of Procedure

Chairman: Mr. Clive Wright (European Commission)

V. Participation Committee

Chairman: Mr. Tim Martin (Canada)

VI. Selection Committee

Chairman: Mr. Tim Martin (Canada)

Appendix III

List of participants

The following States and one regional economic integration organization have met the minimum requirements of the Kimberley Process Certification Scheme as at 29 October 2004:

1. Angola
2. Armenia
3. Australia
4. Belarus
5. Botswana
6. Brazil
7. Bulgaria
8. Canada
9. Central African Republic
10. China, People's Republic of
11. Congo, Democratic Republic of the
12. Côte d'Ivoire
13. Croatia
14. European Community
15. Ghana
16. Guinea
17. Guyana
18. India
19. Israel
20. Japan
21. Korea, Republic of
22. Lao People's Democratic Republic
23. Lesotho
24. Malaysia
25. Mauritius
26. Namibia
27. Norway
28. Romania
29. Russian Federation
30. Sierra Leone
31. Singapore
32. South Africa
33. Sri Lanka
34. Switzerland
35. Thailand
36. Togo
37. Ukraine
38. United Arab Emirates
39 United Republic of Tanzania
40. United States of America
41. Venezuela
42. Viet Nam
43. Zimbabwe

NOTE: The rough diamond-trading entity of Chinese Taipei has also met the minimum requirements of the KPCS.